



FedFin Daily Briefing

Wednesday, May 3, 2023

Powell Stands by His Actions, SVB Report

As anticipated, Chairman Powell opened his press conference today by describing the banking system as resilient and defending the Fed's handling of recent failures. Asked whether or not the JPM acquisition of FRC poses systemic risk, the Chair said that the Board generally opposes making very large banks still bigger, but that this was a "good outcome." Mr. Powell was also quizzed about his responsibility for the tailoring rules that the Board's report found to be at considerable fault ([see Client Report REFORM221](#)). He countered that technology has changed considerably since 2019 and that one risk everyone failed to anticipate is social media runs which may now need to be addressed via new rules. Reporters also asked about the February 2023 meeting at which the Board learned of SVB's risk; although the report describes this as only "informational," Mr. Powell stated that enforcement matters were discussed. He also defended the report as "unflinching" – the same term used in the report to characterize itself again indicating that he agrees with its findings and emphasizing Mr. Barr's independence.

Recent Files Available for Downloading

The following reports and analyses have been sent to retainer clients recently. Copies are also available to retainer clients on the Archives section of Federal Financial Analytics' website: www.fedfin.com or clients may obtain the reports/analyses by e-mailing info@fedfin.com giving the requested item name, firm, and e-mail address. To learn more about *GSE Activity Reports*, click [here](#).

- [SIFI35](#): In concert with proposing a new systemic-risk methodology, the Financial Stability Oversight Council sought comment on guidance that significantly rewrites the manner in which nonbanks are designated as systemically important financial institutions (SIFIs).
- [DEPOSITINSURANCE119](#): In this report, we follow our initial [assessment](#) of the FDIC's deposit-insurance reform [report](#) with an in-depth analysis of its recommendations and their prospects.
- [REFORM223](#): Following our analyses of the Fed's report on SVB ([see Client Report REFORM221](#)) and the FDIC's on SBNY ([see Client Report REFORM222](#)), we turn now to [one](#) from the General Accountability Office sure to have at least as much impact on bipartisan consideration of what needs next to be done to govern regional banks.
- [REFORM222](#): In this report, we build on our assessment earlier today of the Fed's SVB autopsy ([see Client Report REFORM221](#)) with an assessment of the FDIC's self-review of Signature's failure.
- [REFORM221](#): In this and subsequent reports, we build on our initial reactions to SVB/SBNY reports from the Fed, FDIC, and GAO, focusing in more depth on the agencies' plans for near-term action with strategic consequence and key points in the GAO's report that will strongly influence Hill reactions on both sides of the aisle.
- [GSE-042723](#): FSOC's newly-proposed analytical methodology for [systemic risk identification](#) is most immediately important for nonbank mortgage companies and the regulated institutions that love them.
- [SYSTEMIC95](#): Rejecting the Trump Administration's hands-off approach to designating systemically-important nonbank financial institutions or activities and practices, the Biden Administration's FSOC has

bifurcated this construct with one proposal on designating entities and another that lays out an analytical approach to identifying systemic risk that would then guide firm and activity designation as well as Council staff coordination with primary federal regulators leading to new rules, product or service prohibitions/restrictions, or firm-specific supervisory action.

- **[GSE-042023](#)**: FHFA yesterday [proposed](#) a sweeping rule that would codify Sandra Thompson's equitable- and fair-housing standards in a rule that any future FHFA director would have to work a lot harder to reverse.
- **[CRYPTO42](#)**: As we [anticipated](#), the HFSC Digital Asset Subcommittee hearing today on federal stablecoin legislation did not entertain bipartisan expressions of support for the draft noticed with the hearing [announcement](#).
- **[CRYPTO41](#)**: As [anticipated](#), HFSC's hearing today with Chairman Gensler was a raucous affair which, while divided sharply on party lines when it comes to Mr. Gensler, also laid out general agreement on matters such as the need for stablecoin legislation (the topic of a high-profile hearing tomorrow).
- **[GSE-041323](#)**: As we noted earlier [today](#), global regulators are rethinking their 2015 decision not to require an express capital charge for interest-rate risk, a shift with significant implications for the role of U.S. banks as mortgage lenders and investors.
- **[IRR8](#)**: As we noted [yesterday](#), the head of the Basel Committee has targeted two capital and liquidity compromises included in the current Basel III construct not addressed in the end-game rules to which the U.S. plans shortly to turn.
- **[COMPENSATION35](#)**: Executive compensation incentives have proved among the most important reform priorities in the wake of recent bank failures.
- **[REFORM220](#)**: In this report, we drill down on prior forecasts ([see Client Report REFORM219](#)) of near-term regulatory action to identify the revisions sure to be prioritized as NEC Director Brainard and FDIC Chairman Gruenberg seek to reverse rules finalized over their objections when they were in the minority.